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C O N F I D E N T I A L AMMAN 001720

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E.O. 12958: DECL: 02/28/2015

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SUBJECT: GOJ REOPENING PARIS CLUB DEBT FORGIVENESS REQUEST

Classified By: Charge d'Affaires David Hale for reason 1.4 (b) and (d)

**¶1.** (C) King Abdullah told Charge on February 26 that during his recent visit to Europe he had heard positive responses from French, German, and British leaders to his request to revisit the question of debt forgiveness, collectively through the Paris Club and bilaterally. Finance Minister Abu Hammour elaborated when asked on March 1, telling Charge that the GOJ planned to once again push for the Paris Club to allow Jordan to use debt swaps for up to 50% of its debt, rather than the 30% to which the Club generally limits swap levels. Minister of the Royal Court Samir Rifai confirmed to Charge that Jordan will resubmit its request to the Paris Club, and pursue the King's request with individual G-8 members regarding bilateral debt relief - seeking total debt relief on 50% of outstanding debt.

**¶2.** (C) Econoffs contacted other Paris Club missions in Amman, however, and found no change in their positions. The UK mission in Amman was unaware of any shift in the British policy on the Paris Club debt swap ceiling. They speculated that at most, PM Blair might have told King Abdullah in their meeting that the UK would support a decision to raise the limits if this was the consensus of the rest of the group - as has been the UK's position all along. The French mission in Amman confirmed that there had been no change in France's position on Paris Club debt swap levels, and further indicated that it did not plan to agree to the full amount bilaterally requested by the GOJ for debt swaps. The German mission stated that it had not received any word from Berlin to indicate that the German position had changed. Econoff was unable to contact any knowledgeable source at the Embassy of Italy (King Abdullah told Charge he has previous assurances of Italian support). The Embassy of Japan received the same GOJ readout as Charge: due to "positive responses" received by the King in his visit to Europe, the GOJ will be resubmitting its request to the Paris Club. The Japanese government's position on the issue, however, remains the same, and the Embassy of Japan has requested that its Ministry of Foreign Affairs contact the Tokyo missions of Paris Club members to determine their position on the issue.

**¶3.** (C) COMMENT AND ACTION REQUEST: Relief from Paris Club debt would be quite a boost to Jordan's macroeconomic fundamentals. According to the Ministry of Finance, the fall of the value of the dollar (to which the Jordanian dinar is tied) has added over \$822 million to the value of Jordan's outstanding external debt since the beginning of 2002, when other variables are factored out. Reducing Euro-denominated debt would therefore be especially useful for Jordan's bottom line at a time when the deadline for reduction of public debt to 60% of GDP, mandated in Jordan's Public Debt Law, is rapidly approaching. However, the Jordanians do not appear to have coordinated well internally or with donor states. We understand Jordan is on the Club agenda for March, although not necessarily to discuss the debt swaps or other relief. In our effort to continue to give Jordan's leaders the tools they need to sustain their critical support for regional security policies, post recommends high-level engagement with G-8 debt holders and encouragement for efforts to provide help to Jordan. END COMMENT.

HALE